

# The Facts About Starting A Small Business

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It's the American dream to take a business idea from concept, research and planning stages to the day when you open your door, hang out your shingle or go live online.

Whether your target market is the entire world or just your neighborhood, the U.S. Small Business Administration has valuable information to help turn your entrepreneurial dream into a thriving new business.

The SBA guaranty offers numerous loan programs to assist small businesses. It is important to note, however, that the SBA is primarily a guarantor of loans made by private and other institutions.

SBA administers three separate, but equally important loan programs. SBA sets the guidelines for the loans while SBA's partners (Lenders and Community Development Organizations) make the loans to small businesses. SBA backs those loans with a guaranty that will eliminate some of the risk to the lending institutions.

To enhance your chances for success, invest heavily in the planning stages; do your research and study the market.

Developing a workable business plan is a critical step. The SBA can assist. Before you start your plan, carefully research and answer these questions:

- What niche or void will my business fill?
- What services or products will I sell?
- Is my idea practical?
- Who is my competition?
- What is my business's advantage over existing firms?
- Can I create a demand for my business?

Once you've determined your business idea is feasible, consider these questions:

- What skills and experience do I bring to the business?
- What will be my legal structure?
- How will my company's business records be maintained?
- What insurance coverage will I need?
- What equipment or supplies will I need?
- How will I compensate myself?
- What financing and other resources will I need?
- Where will my business be located?

If you are starting a home-based business, you should consider:

- Does my home have the space (preferable separate) for a business?
- Can I successfully run the business from my home?

## Research Sources

Some questions you will be able to answer on your own. Others will require careful research. There are many sources available to help you find the answers and make informed decisions. The Small Business Training Network, sponsored by the Office of Entrepreneurial Development, is a virtual campus housing free training courses, workshops and knowledge resources designed to assist entrepreneurs and other students of enterprise.

The Training Network makes SBA's business management resources available anytime and anywhere. It is a dynamic learning center designed to help small businesses compete in a constantly changing, global environment.



**Internet sources:**

- SBA ([www.sba.gov/training](http://www.sba.gov/training))
- SCORE ([www.score.org](http://www.score.org))
- Small Business Development Centers ([www.sba.gov/aboutsba/sbaprograms/sbdc/index.html](http://www.sba.gov/aboutsba/sbaprograms/sbdc/index.html))
- Women's Business Centers ([www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html](http://www.sba.gov/aboutsba/sbaprograms/onlinewbc/index.html))
- Business.gov ([www.business.gov](http://www.business.gov))

**Other sources include:**

- Trade association studies, journal articles and trade shows;
- Regional planning organization studies on growth trends;
- Banks, realtors and insurance companies; and
- Customer surveys in your market area, which you can conduct on your own or which may already exist

**Understanding Your Market**

Market evaluation is critical and provides the basic data that will determine if and where you can successfully sell your product or service. This process involves defining your goals, scrutinizing your competition and your customer base, and interviewing potential suppliers.

**Market research can help you:**

- Create primary and alternative sales approaches to a given market;
- Make profit projections from a more accurate database;
- Organize marketing activities;
- develop critical short- and mid-term sales goals and establish the market's profit boundaries; and,
- identify what makes your business different from similar businesses with similar products.

**Questions to Ask:**

Your research should answer these basic questions:

- Who are your customers?
- Where are they located?
- What are their needs and resources?
- Is the service or product essential in their operations or activities?
- Can the customer afford the service or product?

Researching competitors is extremely important. Visit industry trade shows to find out what your competitors are selling and how they are marketing their products. Also, be sure to read industry magazines and publications regularly to stay current.

*All SBA programs and services are offered on a nondiscriminatory basis.*